

Surname	Centre Number	Candidate Number
Other Names		2

GCE AS



B520U10-1



ECONOMICS – AS component 1 Introduction to Economic Principles

MONDAY, 14 MAY 2018 – MORNING

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	10	
2.	12	
3.	4	
4.	4	
5.	10	
6.	10	
7.	10	
Total	60	

B520U101
01

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

Answer **all** the questions in the spaces provided.

1. According to the World Health Organisation, research into the elasticity of demand for tobacco products has produced the following data:

	Figures for Egypt
Price elasticity of demand	-0.47
Income elasticity of demand	+1.6

- (a) Outline what a price elasticity of demand of -0.47 means. [3]

.....

.....

.....

.....

.....

.....

.....

- (b) Explain why price elasticity of demand for tobacco products might be at this level. [4]

.....

.....

.....

.....

.....

.....

.....

.....

(c) Suppose average incomes in Egypt rise by 5% and the price of cigarettes rises by 10%. Calculate the probable impact on the sales of tobacco products in Egypt. [3]

.....

.....

.....

.....

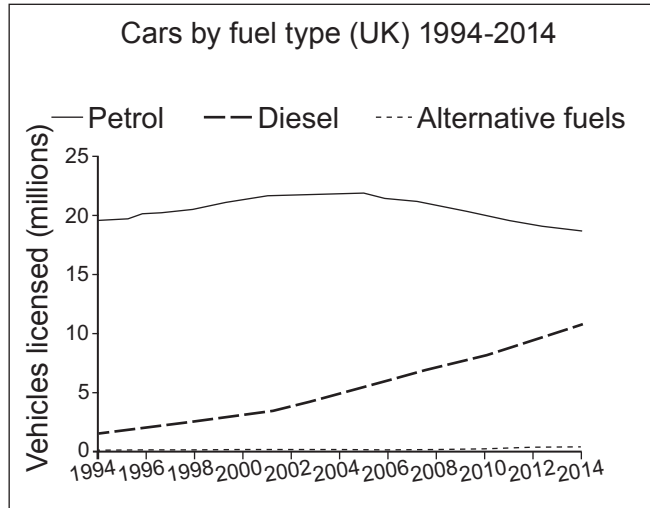
.....

.....

10

2. Diesels are “literally killing people”.

In 2001 vehicle tax was lowered for diesel cars in order to reduce the levels of air pollution that had been caused by petrol cars. Today, there are more than 10 million diesel cars on the roads of the UK – up from just 4 million in 2001.



However, following the Volkswagen emissions scandal of 2015, diesel cars have faced heavy criticism because they emit more harmful pollutants than petrol cars. Alternatives such as electric cars are rising in popularity supported by a government subsidy worth up to £4 500 per car. In 2016, electric cars took 1.3% of new car sales, with total sales of electric cars up over 100% compared with 2015.

- (a) With the aid of a diagram, outline why the data suggests that the number of diesel cars on the road grew between 2001 and 2015. [4]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(b) Discuss how effective subsidies for electric cars are likely to be in reducing the number of petrol and diesel cars on UK roads. [8]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

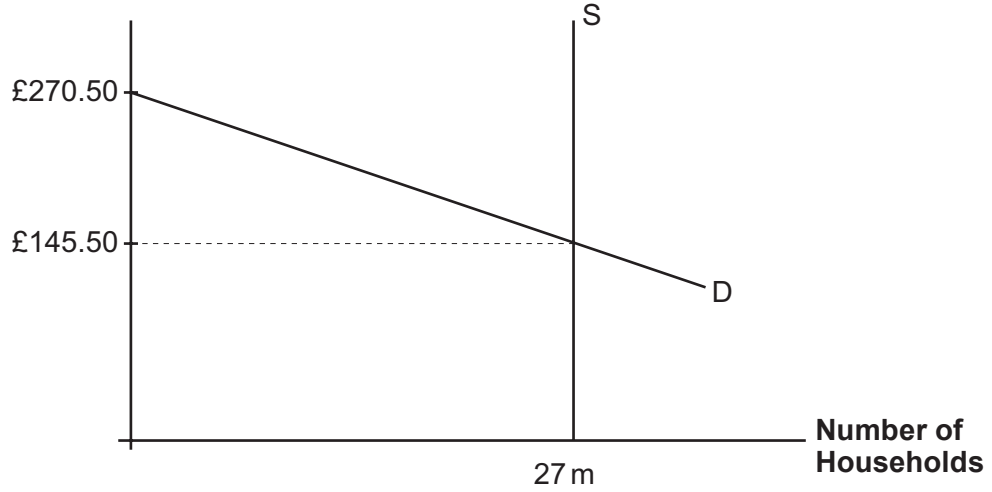
.....

B520U101
05

12

3. The diagram below shows the demand for and supply of television licences in the UK.

Price of a television licence



D = Demand for television licences
S = Supply of television licences

In the UK the television licence fee is £145.50 and is a compulsory payment for all households with a television set. There are 27 million such households in the UK.

(a) Define consumer surplus. [2]

.....

.....

.....

.....

(b) Using the diagram above, calculate the consumer surplus for television licence holders in the UK when the licence fee is set at £145.50. Show your workings. [2]

.....

.....

.....

.....

4. It is estimated that every £1 spent on construction projects such as new roads in the UK generates £2.84 of economic activity, 90% of which stays in the UK.

Outline the economic theory which would explain these statistics. [4]

.....

.....

.....

.....

.....

.....

.....

.....

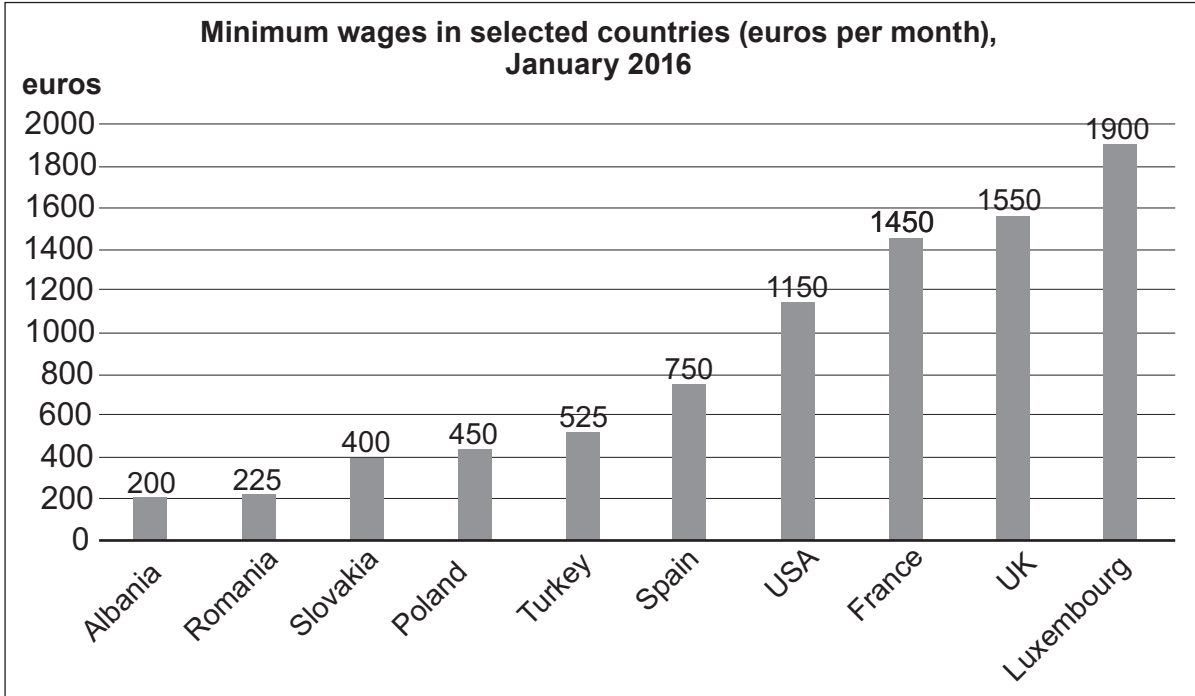
.....

.....

4

4

5. In 2016 the Government accepted the recommendations of the Low Pay Commission for the minimum wage rates affecting workers under the age of 25. The rate for 21-24 year olds rose by 3.7% to £6.95 per hour from October 2016.



(a) In percentage terms, approximately how much higher is:

- (i) Luxembourg's minimum wage compared to Albania? [1]

.....

.....

.....

- (ii) The UK's minimum wage compared to the USA? [1]

.....

.....

.....

Examiner
only

.....

.....

.....

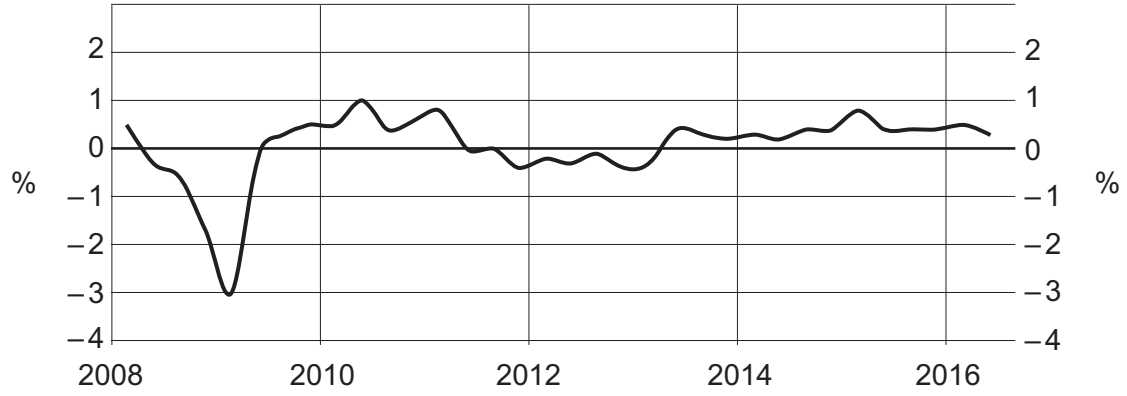
.....

10

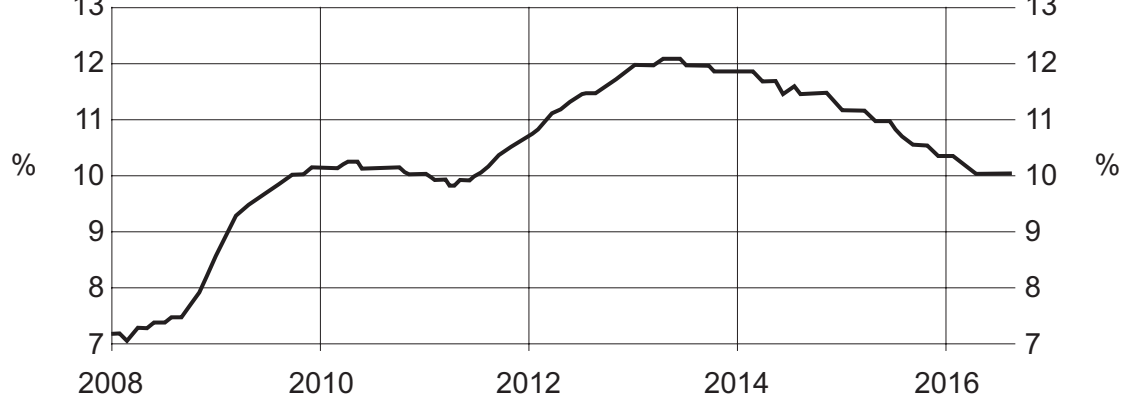
7. Using appropriate economic analysis and with reference to the data below, discuss the relationship between GDP growth and unemployment in the EU since the beginning of 2008.

[10]

EU GDP QUARTERLY GROWTH RATE



EU UNEMPLOYMENT RATE



.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

A series of horizontal dotted lines spanning most of the page width, providing a grid for writing or marking.

--

10

END OF PAPER

BLANK PAGE

BLANK PAGE